TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE

CORRECTED FISCAL MEMORANDUM

SB 852 – HB 1272

April 17, 2013

SUMMARY OF ORIGINAL BILL: Authorizes the Department of Environment and Conservation (TDEC) to implement a grant subsidy program for purchasing new vehicles or converting existing vehicles to accept compressed natural gas (CNG) or liquefied natural gas (LNG) as a fuel source for vehicles. Local government, school and private fleet vehicles will qualify. Each entity receiving a grant will be required to purchase or convert a minimum of three cars. The grants will provide up to fifty percent of the incremental purchase cost of the vehicle or conversion. The maximum benefit per vehicle will be capped at $25,000.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Expenditures –
$211,900/FY13-14/Biodiesel Manufacturers' Incentive Fund
$151,700/FY14-15 and Subsequent Years/Biodiesel Manufacturers' Incentive Fund

Forgone State Revenue – Exceeds $10,000
Forgone Local Revenue – Exceeds $10,000

Other Fiscal Impact - To extent this bill causes wider use of vehicles using compressed natural gas or liquefied natural gas as a fuel source in the future, there could be recurring decreases in state gasoline and diesel tax revenue. Any such decreases cannot be reasonably quantified because such impacts are dependent upon multiple unknown factors.

SUMMARY OF AMENDMENT (007349): Deletes all language after the enacting clause. Encourages the Department of General Services to have at least five percent of the purchases of new, non-passenger motor vehicles be powered by natural gas if the fueling infrastructure is available. Provides, for the purposes of property taxation, a limit of 30 percent of the total installed cost of property as a cap on the valuation of property related to alternative fueling infrastructure. Requires the Department of Environment and Conservation to certify these types of facilities in order for the facility to qualify for a property tax rate based on the proposed cap.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

On April 17, 2013, a fiscal memorandum was issued for the bill as amended indicating the following fiscal impact:

Increase State Expenditures - $75,900

Forgone State Revenue – Exceeds $10,000
Forgone Local Revenue – Exceeds $10,000

Other Fiscal Impact – To the extent this bill causes wider use of vehicles using compressed natural gas or liquefied natural gas as a fuel source in the future, there could be recurring decrease in state gasoline and diesel tax revenue. Any such decreases cannot be reasonably quantified because such impacts are dependent upon multiple unknown factors.

Based on additional information concerning the number of facilities currently operating in the state that would require certification by TDEC, the corrected fiscal impact for the bill as amended is estimated to be:

(CORRECTED)
Forgone State Revenue – Exceeds $10,000
Forgone Local Revenue – Exceeds $10,000

Other Fiscal Impact – To the extent this bill causes wider use of vehicles using compressed natural gas or liquefied natural gas as a fuel source in the future, there could be recurring decrease in state gasoline and diesel tax revenue. Any such decreases cannot be reasonably quantified because such impacts are dependent upon multiple unknown factors.

Assumptions for the bill as amended:

- The Department of General Services is encouraged but not required to purchase fuel efficient vehicles.
- TDEC will be able to certify any currently operating facility that qualifies as "certified green energy production facility" utilizing current staff.
- The bill as amended will place public utility property or commercial and industrial property engaging in the fueling of natural gas vehicles, under the definition of "certified green energy production facility" for purposes of tax valuation and would cap the value of such property at 30 percent of its installed cost. The reduced valuation will result in a decrease in franchise and excise tax collections and a decrease in local government property tax collections; however, these facilities do not currently exist in

the state, therefore, any future revenue impact to state and local governments will be considered forgone revenue.

- The extent of any forgone state and local revenue is dependent upon several unknown factors such as the number of qualified entities, the extent of taxable property owned by such entities, and the current values of any qualified property. Given the extent of unknown factors, determining precise estimates for forgone state and local revenue is difficult. However, forgone state revenue is reasonably estimated to exceed $10,000 per year, and forgone local revenue is reasonably estimated to exceed $10,000 per year. Such forgone amounts of revenue may increase substantially in subsequent years if the extent of public utility property or commercial and industrial property that engages in the fueling of natural gas vehicles increases considerably as a result of this bill as amended.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

Lucian D. Geise, Executive Director

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